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Venezuela

Exporter Guide

Annual

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Approved by:

Bonnie Borris
U.S. Embassy

Prepared by:

Jonathan Martinez

Report Highlights:

Venezuela remains a significant importer of agricultural products, with total imports reaching \$2.4 billion in 2005. The United States is the second largest supplier with product sales totaling \$419 million in 2005. Due to the currency devaluation in recent years and some internal governmental policies, Venezuela has shifted from being a rapidly growing purchaser of high-value food products to focusing more on imports of basic grains and items for further processing.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Caracas [VE1]
[VE]

I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching \$2.4 billion in 2005. The United States is the second largest supplier (after Colombia) with product sales totaling \$419 million in 2005. Due to the currency devaluation in recent years and some internal governmental policies, Venezuela has shifted from being a rapidly growing purchaser of high-value food products to focusing more on imports of basic grains and items for further processing. The main products imported currently, by value, are wheat, corn, soybean meal, animal fats and vegetable oils.

Importers must register with the Exchange Control Administration Commission (CADIVI) for formal applications for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally, through commercial banks. A complete list of imported agricultural products that can be imported at the official foreign exchange rate can be found at <http://www.cadivi.gov.ve>. Statistics show that food products is the number two sector receiving dollars under the CADIVI system, since most basic food products are on the import list.

Demand for imported ingredients is strong since the local supplies are often hampered by inefficient post-harvest and storage facilities and costly farm-to-market transport, which often drive prices higher than world market. The local supply situation means manufacturers must look overseas for many inputs. Major imported food ingredients include: wheat; dairy products such as milk and cheese powders and whey; processed fruits and vegetables. Expensive specialty ingredients and organic ingredients are still niche items due to persistent and pervasive price sensitivity in the Venezuelan food and beverage market.

In the household, the time available to buy and prepare foods is being reduced. Consumers are increasingly willing to buy foods which require little preparation time. The incidence of microwave ovens has increased rapidly in the last decade. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products.

Demand for foods and beverages is driven by a population of 26 million that is growing annually. With two-thirds of the population under the age of 30, Venezuela is a youth-oriented food market.

II. EXPORTER BUSINESS TIPS

Labeling Requirements

The label must include the following information:

- Descriptive name of the product.
 - Brand name or trademark.
 - Net weight (grams) or net content (liters).
 - List of ingredients in decreasing order.
 - Manufactured by (name of company) in (name of city, state, country).
 - Imported by (name of importer/importing company).
 - Special handling requirements, if any.
 - Any other requirement stated by COVENIN norms, General Food Law or special requirements ordered by MSDS.
 - The Health Ministry (Ministerio de Salud or MINSALUD) Registration Number.
- For more details see: VE6009

Language

Spanish is the official language of the country. All labels should be presented in Spanish. Imported products may have labels in a foreign language with the respective translation in Spanish, in the same form and characters, and containing all previously listed requirements. The foreign label must be applied prior to export, because the product has to enter the country in its final presentation. Previous to authorization by health authorities, a label with all information in Spanish may be affixed to the English version label. Stickers are acceptable.

Import Licenses

Under its World Trade Organization (WTO) commitments, Venezuela is entitled to administer tariff rate quotas for up to 62 HS code headings. The tariff rate quotas are administered through an import license regime. The Ministry of Food (Ministerio de Alimentacion or MINAL) is responsible for issuing import licenses, but approval is subject to the concurrence of the "Interministerial Commission." The interministerial commission consist of the following ministries: Food, Commerce and Light Industries; Health; Agriculture and Lands. The latest guidelines and requirements for applying for an import license were published in the official gazette No. 38,452 dated 06/06/2006. Basically, the guidelines are:

- Import licenses are valid for four months, and can only be renewed if, on expiry, they have not been used for reasons outside the importer's control.
- When applying for a license, local importers are required to submit a monthly list of imports actually realized, indicating volume and value, together with the invoice of the most recent imports, also indicating the volume and value of the merchandise in question.
- The importer must indicate the amount of the allocated quota that remains unused.
- Local importers are required to obtain the "certificate of non-domestically produced food product" or the "certificate of not-sufficient domestically produced food product" from the Ministry of Commerce and Light Industries or MILCO, in order to have access to import licenses.

U.S. exporters must consider the unexpectedly long time frames between the process of obtaining an import license by a local importer, and the final shipment of the product. It is worth noting that the process of obtaining an import license is cumbersome and takes a considerable amount of time and resources on the part of local importer.

The following is the list of products that are subject to import licenses:

Yellow corn	Sorghum
Soy beans	Palm nuts and kernels
Soy bean oil	Other oils
Palm oil	Sunflowerseed oil
Coconut oil	Other vegetable fats and oils
Soy bean cake	Animal and vegetable fats
Yellow grease	Milk and cream, not concentrated
Milk in powder, not exceeding 1.5% fat	Whole milk 26%
Cheese	

For those products where the licensing system has not yet been implemented (45 products) such as beef, pork and poultry, the government of Venezuela often restricts the issuance of SPS permits to block imports.

Product Registration

Another requirement for the importation of animals and animal products or by-products is that the producer, exporter or importer also registers with the Servicio Autónomo de Sanidad Agropecuaria, SASA (equivalent to the Animal and Plant Health Inspection Service). The validity of the registration is indefinite, but it can be cancelled due to non-compliance with dispositions stated by pre-established laws and regulations.

Exchange Rate Policy

Currently, the exchange rate is set Bs 2,150/1US\$. Importers must register with the Exchange Control Administration Commission (CADIVI) for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally through commercial banks. A complete list of agricultural products that can be imported at the official foreign exchange rate can be found at www.cadivi.gov.ve.

Food Price Controls

With the objective of keeping food products available at reasonable prices, the government of Venezuela implemented price controls in February 11, 2003. This move was made in conjunction with the imposition of exchange rate policy, and was an attempt by the government to help restrain inflation. There is no indication that the GOV will lift price controls in the short term. Large stores, such as the hypermarkets, supermarket chains, and established butcher shops are required to sell products at the established price.

Products under price controls are: rice, oatmeal, corn flour, wheat flour, bread, pasta, sugar, coffee, salt, beef, pork meat, poultry, eggs, sardines, tuna, corn oil, sunflower oil, vegetable blended oil, powdered milk, milk infant formula, white cheese, margarine, lentils, peas, black beans, mayonnaise, tomato sauce and mortadella (bologna).

III. MARKET SECTOR STRUCTURE AND TRENDS

Food Service (HRI sector)

Restaurant food sales, especially franchises, have been increasing in the last year. Venezuela is a good market for franchising investments as demonstrated by the amount and variety of new brands penetrating the Venezuelan market. Profranquicia is the chamber that has been working to accomplish franchisers' goals, lead by a proactive team of young executives with 332 members. This franchising chamber, founded in 1998, reports that there are 332 franchises currently operating in the country with a total of over 6,755 outlets/stores. Profanquicia reports that 30 percent of all franchises are food related; 12 percent are clothing; and the remainder represents a variety of services such as computer training and dry cleaning services. Twenty percent of the franchises are of U.S. origin.

Most HRIs in Venezuela buy their food products at the lowest available price and prefer fresh foods to canned, precooked, or frozen ones. The HRI establishments buy products at many different points in the distribution chain, reflecting each products particular nature. Fresh foods are bought at wholesalers, and nonperishable products at hypermarkets whenever possible. As regard to refrigerated or frozen foods, the HRIs prefer to deal directly with the manufacturer, given most distribution centers' limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

Food Retail sector

Most of the supermarkets in Venezuela are owned by descendants of Portuguese immigrants who came to Venezuela in the 1950's. The sector was characterized by many disparate, small groups of outlets called "bodegas" or "abastos" that did not have sophisticated import mechanisms and customer service in place. However, the supermarket sector has changed significantly in the last 20 years, and today most of the supermarkets have modern stores to offer quick and good service to customers.

One of the reasons for this change is that the new generation of supermarket owners have attended trade shows like the Food Marketing Institute Show (FMI) held in Chicago every year, where they have learned the latest trends in the sector including technology. And, of course, some have been educated in the U.S. and/or have visited frequently.

All of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA). On the other hand, the government of Venezuela is increasing expenditures on social food programs and price controlled foods are sold in government-owned MERCAL stores, thereby becoming a competitor for supermarkets.

MERCAL or "Mercado de Alimentos C.A.", created in April 2003, markets food products at very low prices, usually even lower than the controlled-priced products sold by supermarkets. The program is focused on a basic basket of products which includes: dry milk, precooked corn flour, black beans, rice, vegetable oil, sardines, pasta, sugar, mortadella (bologna), margarine, deviled ham, eggs, mayonnaise and sauces. MERCAL's food distribution web has expanded to approximately 14,000 points of sales that includes mostly small stores and 37 supermarkets. More recently, it added the concept of 4,052 "home-cooking-houses" where lunches will be provided to around 150 people each; products will be sourced out of MERCAL's stores. Food purchases are carried out directly by a government entity called CASA or "Corporacion de Abastecimiento y Servicios Agrícolas", which was originally created in August 1989. CASA is in charge of purchasing domestic and imported food and agricultural products.

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of the unreliability of the postal system. Supermarkets and hypermarkets like MAKRO, EXITO, EXCELSIOR GAMA and CENTRAL MADEIRENSE have been successful by placing their catalogs in newspapers as weekend-issue inserts. Almost all businesses now use e-mail and some of them fax in their day-to-day business. E-commerce is in the early stages and could be a promising area for growth with major supermarkets now allowing consumers to order on-line or by e-mail for home delivery.

IV. BEST PRODUCT PROSPECTS

Top 10 Venezuelan Agricultural Product Imports from the United States (Millions of U.S. Dollars)				
Product Description	HS Code	2004	2005	%Change 2004/05
Wheat and Meslin	1001	102.57	169.38	65.14
Maize (corn)	1005	69.92	26.60	-61.94
Soya Bean Residue	2304	46.12	21.37	-53.61
Animal Feed Preparations	2309	13.00	21.21	63.10
Lard, Pig, Poultry	1501	19.08	18.23	-4.47
Soya Beans	1201	2.83	16.73	490.85
Chemical Wood Pulp	4703	12.05	13.82	14.64
Food preparations, NESOI	2106	13.80	13.35	-3.21
Fats, Bovine, Sheep	1502	9.55	7.86	-17.65
Apple, Pears	0808	4.09	6.43	57.08

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

V. KEY CONTACTS AND FURTHER INFORMATION

Ministerio de Agricultura y Tierras (equivalent to the Department of Agriculture)

Av. Este 6 entre Esquina Colón y Dr. Díaz,
 Antigua Sede del BTV. Piso 2, (Frente Cartografía Simón Bolívar)
 Caracas, Venezuela
 Tel: (58-212) 509-0445/0121/0111
 Fax: (58-212) 574-2432
www.mat.gov.ve

**Ministerio de La Salud y Desarrollo Social (MSDS) División Higiene de Alimentos
(equivalent to the FDA)**

Edificio Sur, Piso 3, Ofic. 313
Centro Simón Bolívar, Caracas
Tel: (58-212) 483-1533/484-3066
Fax: (58-212) 483-1533
www.msds.gov.ve
Director: Dr. Ramón Ernesto Perdomo

**Servicio Autónomo de Sanidad Agropecuaria SASA
(equivalent to the Animal and Plant Health Inspection Service)**

Av. Este 6 entre Esquina Colón y Dr. Díaz, Antigua Sede del BTV, PB,
(Frente a Cartografía Simón Bolívar) Caracas, Venezuela
Tel: (58-212) 509-0595/ 509-0186
Fax: (58-212) 571-4117
email: SASADGS@hotmail.com
www.SASA.gov.ve

**Ministerio de Alimentación (MINAL) and Corporación de Abastecimiento y Servicios
Agrícolas (CASA)**

Av. Fuerzas Armadas
Esquina de Socarrás
Antiguo Edif. Seguros Orinoco
Piso 3
Tel: (58-212) 564-1883
Fax: (58-212) 564-8303
Minister: General Rafael Oropeza

Exchange Control Administration Commission

Comisión de Administración de Divisas (CADIVI)
www.cadivi.gov.ve

Fondonorma (COVENIN -Venezuelan Standards Agency)

Director de Seguimineto y Control
Servicio Autónomo
Dirección de Normalización y Certificación de Calidad
Avenida Andrés Bello,
Edificio Torre Fondo Común, piso 11
Caracas, Venezuela
Tel: 58-212-575-4111
Fax: 58-212-574-1312/576-3701

Instituto Nacional de Estadísticas (INE) (Former OCEI)

(National Statistics Office)
Avenida Boyacá, Edificio Fundación La Salle
Maripérez
Caracas, Venezuela
Tel: 58-212-781-1380
Telefax: 58-212-781-5412 782-1156

Bolsa de Productos e Insumos Agropecuarios de Venezuela, BOLPRIAVEN

Torre El Chorro - PH
Av. Universidad, Esq. El Chorro
Diagonal Banco Union, Caracas
Tel. (58-212) 564.7446 - 564.9556
Fax (58-212) 564.6894

Camara Venezolano-Americana de Comercio e Industria (VENAMCHAM)

(Venezuelan-American Chamber of Commerce)
2da.Av. de Campo Alegre, Torre Credival, Piso 10, Ofic.A, Caracas 1060, Venezuela
Apartado Postal 5181 (Caracas 1010-A)
Tel.: 58-212-263-0833/267-20-76/64-81
Fax: 58-212-263-20-60

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion (FEDECAMARAS)

(Venezuelan Federation of Chambers and Associations)
Edf. Fedecamaras, PH 1 y 2, Av. El Empalme, Urb. El Bosque, Caracas 1050, Venezuela
Apartado de Correos 2568 (Caracas 1010-A)
Tel.: 58-212-731-17-11/17-13/18-45/19-32/19-67
Fax: 58-212- 730-2097 – 731-1907
www.fedecamaras.org.ve/

Confederacion Nacional de Asociaciones de Productores Agropecuarios (FEDEAGRO) (National Confederation of Agricultural Producers)

Edf. Casa de Italia, P.B., Av. La Industria, San Bernardino, Caracas, Venezuela
Tel.: 58-212-571-40-35/573-44-01
Fax: 58-212-573-44-23
www.fedeagro.org/

Asociacion de Supermercados y Autoservicios (ANSA) Supermarkets

Ave. Principal de los Ruices
Centro Empresarial Los Ruices
Piso 1, Ofic. 116
Caracas 1071, Venezuela
Tel: 58-212-234-4490/235-7558
Fax: 58-212-238-0308
www.ansa.org.ve

Camara Venezolana de la Industria de Alimentos (CAVIDEA) Food

Av. Principal de Los Ruices
Centro Empresarial
Piso 5, Of. 510
Los Ruices
Caracas, Venezuela
Tel: 58-212-239-9818/0918
Fax: 58-212-238-3268
<http://www.cavidea.org.ve/>

Camara Venezolana de Franquicias (PROFRANQUICIA) Franchising

3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
 Oficentro Neur, Ofc. 4
 Caracas, Venezuela
 Tlf. 58-212-266-8494/261-8613
 Fax 58-212-261-9620
www.profranquicias.com

Mercado de Alimentos MERCAL C.A.

www.mercal.gov.ve/

**Foreign Agricultural Service
USDA/FAS****American Embassy**

Calle F con Calle Suapure, Parcela B-2
 Colinas de Valle Arriba
 Caracas 1061, Venezuela
 Phones: (58-212) 907-8333
 Fax: (58-212) 975-8542
 E-mail: Agcaracas@usda.gov
 websites: www.fas.usda.gov
www.embajadausa.org.ve/usda.html (Caracas)

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (2005)	\$2.4 billion
U.S. Market Share	19%
Total Population (Millions)	26
Number of Major Metropolitan Areas	6
Size of the Middle Class	17%
Total Gross Domestic Product (2005)	\$139 million
Unemployment Rate	9.6%
Exchange Rate	US\$1 = 2,150 Bolivares